

**OneCall Service Center
Benefit Plans**
PO Box 2115
104 Union Valley Road, MS-8258
Oak Ridge, TN 37831-2115
Local 574-1500
Toll-free 1-877-861-2255
Fax 1-865-241-0531



12/5/2002

Dear Savings Plan Participant:

Congress and the Internal Revenue Service have made public the new changes in amounts and limits as they relate to our Savings Program and Pension Plan. We would like to review with you the status of several items and their impact on the coming year.

The following item may require your action.

Limit on Employee Contributions to a 401(k) Plan (pre-tax) and Catch-up Opportunities.

The annual limit for employee contributions to a 401(k) savings plan (a pre-tax plan) for calendar year 2003 is \$12,000.00. In addition, for those participants who are at least 50 years of age in 2003 and whose elected contribution percentage will result in contributions in excess of \$12,000, an additional \$2,000 catch-up contribution is available. This additional amount will be implemented for all eligible participants who do not notify the Savings Plan that they do not want to participate. For those participants whose elections will cause them to exceed the annual limit and the catch-up, if applicable, the payroll system will automatically recharacterize the contributions in excess of \$12,000.00 (without catch-up) or \$14,000.00 (with catch-up) as after-tax contributions.

You need to have the proper contribution elections to take advantage of these limits. The system does not automatically determine your contribution percentages; you must change them yourself. To do a quick test, divide the \$12,000 or \$14,000 you would like to contribute by your annual compensation. The resulting percentage is the amount you must elect to achieve your target contribution. Make sure the combination of your pre-tax basic (the first six percent) and pre-tax supplemental contributions (the amount over six percent) are equal or greater than the calculated percentage. If you need to change your contribution percentage to take advantage of the increases in limits for 2003, please call the toll free number at 1-888-472-8348. Remember, changes made to the contribution elections will be made in the next available payroll cycle.

Other Information

Definition of Highly Compensated.

An employee of BWXT Y-12, L.L.C. or UT-Battelle, L.L.C. will be considered a "highly compensated employee" (HCE) for 2003 if their gross compensation for 2002 was equal to or greater than \$90,000.00. This determination will be made by the payroll system and will be reflected in the payroll and savings plan records, after the final compensation tapes are prepared at year-end.

Customer Service Representatives are available Monday through Friday from 7:00 a.m. to 5:00 p.m. Eastern Time.

Maximum Allowable Contribution Percentage.

The maximum allowable percentage (for both pre-tax and after-tax) will remain at 60% of eligible earnings for Non-Highly Compensated Employees. This consists of a 6% basic election and a 54% supplemental election. The Highly Compensated limit remains at 16% of eligible earnings. CitiStreet implements this restriction as the participant either makes or changes their contribution percentages.

Maximum Allowable Compensation for Calculation of Contributions to the Savings Program.

The annual limit for 2003 has been set at \$200,000.00. Compensation in excess of this limit is not eligible for contributions to the Plan.

Maximum Annual Additions to the Savings Program.

The total of employee contributions and matching employer contributions for both pre-tax and after-tax contributions will be \$40,000.00 for the calendar year. Contributions in excess of the limit will be refunded.

Restrictions on Highly Compensated Employees to Insure Passing the ADP/ACP Tests

Calendar Year 2002

The IRS requires that contributions of HCE's be restricted, if necessary, to pass the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests. As of this letter, the Company is projected to pass the tests at year-end without having to restrict HCE contributions to the pre-tax accounts. If the year-end results indicate that an adjustment is in order, it will be necessary to refund the excess contributions made during 2002. This will affect the taxable income of an HCE who has some contributions refunded. Highly compensated employees should consider delaying the completion of 2002 tax returns until notified by the Plan. CitiStreet estimates that we will have final test results, and will be able to notify our participants, no later than February 15, 2003.

Calendar Year 2003

Based on our current projections, there will be no initial restrictions on the HCE contributions for 2003. All participants may elect to contribute the maximum limit of 16%. To determine your current election, or to make a change, please call CitiStreet at 1-888-ISAVEIT (1-888-472-8348).

Tests will be conducted at mid-year in 2003 to determine if restrictions on HCE contributions should be imposed, extended, or possibly relaxed.

Savings Plan Home Page

We highly encourage you to view the Savings Plan Home Page at: <http://www.y12.doe.gov/benefits/badmin/> . This site has valuable information regarding fund performance, links to the home pages of the publicly traded mutual funds that are included in our investment options, special articles about the Program, and other education materials.

We also encourage you to activate your account for Internet Access. The instructions are included on the Savings Plan Home Page (see above).

Should you have any questions about these or other Savings Plan matters, please call:

Michael L. Moore
Manager, Benefits Finance
865-574-9564

or send an E-mail to ik5@y12.doe.gov .

Sincerely yours,

N. E. Sparks, Manager
Benefits Management